Senegal and the Entropy Theory of Development

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This analysis uses Senegal as a test case to study the assumptions made by the governance agenda. After briefly charting the growth of the governance model and the theoretical assumptions on which it rests, the study outlines an alternative view of state action based on legitimacy and survival. The bulk of the study examines the economic reform process in Senegal, and argues that the governance model of development cannot account for the timing or nature of economic reform efforts there. Instead, the actions of the state in Senegal were dictated by the need to respond to a continuing lack of legitimacy despite the presence of 'correct' formal institutional structures. The study concludes that the economic reform process – such as it was in Senegal – was driven from outside, and that institutional reform was either irrelevant or harmful to that process.

Heat goes to cold. It's a one-way street. Your tea will end up at room temperature. What's happening to your tea is happening to everything everywhere. The sun and the stars. It'll take a while but we're all going to end up at room temperature [Tom Stoppard: *Arcadia*].

INTRODUCTION

Michael Howard, lecturing on the occasion of his election to the Regius Professorship of History at Oxford University, warned that twentieth century history offered few unarguable lessons, but that it

... has certainly invalidated one expectation: that Liberty and the rule of Reason would itself bring happiness, and that after 'liberation' mankind would live in universal and perpetual harmony. The assumption of the

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The European Journal of Development Research, Vol.10, No.1, June 1998, pp.160–188
PUBLISHED BY FRANK CASS, LONDON

enlightenment was that man was corrupted only by his institutions or the social structure and that once these were reformed he would recognize his best interests and act rationally [*Howard, 1993*].

This analysis argues that many in the donor community have come dangerously close to expecting that the reform of government institutions will lead citizens of developing countries into a life of universal and perpetual harmony and economic growth. It argues that this 'entropy theory' of development, based on an assumption of the global victory of liberal thought, is wrong. The governance agenda is instead the latest in a line of 'quick fix' universal solutions to the problems of developing countries, following on from modernisation, two-gap, import substitution industrialisation and structural adjustment. Like physicists, economists do not yet know if or whether there will be a final, universal state of nature; and like physics, we should recognise that if there is such a state, it is a very long way off.

Having studied the theoretical model of governance, and found its claims to universality lacking, the paper briefly outlines an alternative model of development which focuses on the legitimacy of institutions. The concentration on the importance of governance, I will argue, is based on a view of the state as an independent actor rather than as embedded in a social structure. Indeed, for Africa, 'embedded' is perhaps an over-generous term: suffocated may be more accurate.

I will argue that, for the state to pursue the liberal policy agenda (or any policy agenda), it must be legitimate. The governance agenda is wrong in seeking to enhance state legitimacy through banking reform, decentralisation and democracy. These new institutional structures will fail throughout most of Africa because it is not formal institutional structures which promote state legitimacy, but informal structures and beliefs. In the African case, states are not able to push agendas or policies, but instead are involved in a struggle to retain what limited influence they have. In this environment, tinkering with formal institutional models is unlikely to have the desired result.

The rest of the study looks at the practical operation of formal institutional structures, taking Senegal as an example. After outlining the Senegal reform programme in the 1980s and early 1990s, it looks at the workings of democracy and democratic rights in the country to ask if they can account for the reform process. Arguing that governance factors appear to have been a fairly weak explanation for the progress of reform, the paper then turns to the alternate view – that of the weak state survival strategy. It then presents brief discussions of decentralisation, privatisation and banking and legal reform to see if they have had the results predicted by the New Institutional Economics (NIE).

The study does not consider the performance of the policy reforms

introduced by structural adjustment programmes. I believe that there is strong evidence that many of these reforms are inappropriate in the African economic context [Mosley, Subasat and Weeks, 1995]. However, the paper only argues that liberal formal institutions do not necessarily lead to liberal economic policies or growth. All good things in the liberal agenda do not come together. Of course, this argument has similarities with the major attack on structural adjustment policy. Where the argument against structural adjustment held that liberal economic policies would have unintended results in different economic environments, the argument against governance holds that liberal institutional structures will have unintended results in different socio-cultural milieux.

FROM STRUCTURAL ADJUSTMENT TO GOVERNANCE

The New Political Economy (NPE) of development, which grew out of a virulent suspicion of government, argues that politicians are short-sighted and self-interested, unable and unwilling to act in the general interest and unwilling to reform. Michael Lipton's [1977] *Why Poor People Stay Poor* argued that governments had been 'captured' by an urban coalition who pushed for the creation of a *dirigiste* apparatus of international transaction controls and national ownership to exploit rural hinterlands for the benefit of the urban elite. The only solution to this rape of the countryside was to emasculate the state – privatise, rationalise and downsize. Lipton's ideas quickly gained currency in a development community already concerned with issues of structural adjustment, stimulated by economists such as Anne Krueger. By the early 1980s the World Bank was arguing that not 'getting the prices right' was costing African countries two to three per cent per annum in economic growth rates, and this idea formed the basis for early structural adjustment programmes [Mosley, Harrigan and Teye, 1991: 91].

Most African structural adjustment programmes were not a success, however. Growth did not increase by two or three per cent as expected. Indeed, overall growth rates did not change. Explanations within the World Bank range from the view that adjustment in Africa had not significantly affected growth, but had lowered investment ratios [Elbadawi, Ghura, Uwujaren, 1992], to the argument that reform increased GDP growth rates in adjusting African countries by over two per cent, but most countries were refusing to adjust [World Bank, 1994].¹ There was wide agreement, however, that Africa as a whole was not reacting to structural adjustment as the donor community had hoped it would in the early 1980s.

The majority view in the West related depressed growth rates in Africa to two factors: policy failure and failure to change policy. Both of these factors were linked to government performance. It appeared that the political environment that surrounded reforms was important to their outcome. Yet, the

New Political Economy offered little guidance as to how to push governments to reform. Its innate cynicism led to the conclusion that governments were far too corrupt to put their own houses in order. Instead, many donor organisations turned to look at the administration of reforms and the environment surrounding that administration in an attempt to discern what created reform winners and losers.

At the same time, victory in the cold war had both a practical and an emotional effect on Western aid ministries. Practically, aid budgets became more flexible as the force of geo-political considerations in allocative processes declined. Emotionally, Western policy makers felt their system, the free market democratic model, had won [Moore, 1993: 1]. Francis Fukuyama went as far as to declare the End of History:

The triumph of the West, of the Western *idea*, is evident first of all in the total exhaustion of viable systematic alternatives to Western liberalism ... it can be seen also in the ineluctable spread of consumerist Western culture ... the Beethoven piped into Japanese department stores. [Fukuyama, 1989: 3].

With the need to tackle the problem of encouraging policy reform in Africa, and a successful model drawn from the donor's own historical development, governance took centre stage.

The basic view of African government bureaucrats and politicians adopted by governance remained unchanged from that of the New Political Economy. These were still seen as self-serving officials at the head of patronage systems based on the exploitation of rent-seeking opportunities, a system that was 'coercive and arbitrary' [World Bank, 1989]. The *Governance and Development* report posits universal institutional methods to control this problem, some of which (like privatisation) were central to structural adjustment whilst others (such as decentralisation) took on new importance. Broadly, the *Governance* report identified four key elements in the process of reforming government performance. Governance requires an effective system of commercial law to be efficiently enforced by an independent judiciary, increased information and transparency in government behaviour, improved public sector management and 'holding officials responsible for their actions' [World Bank, 1989: 13]. This last item was to be achieved through improved accounting measures, decentralisation and micro-level accountability to the direct consumers of government services. In other words, a vital goal remained to reign in central government as part of an effort to 'improve allocative efficiency and reduce transactions costs' [World Bank, 1991: 134], that is to free up the market. As the reforms were 'common-sense' and based on economic efficiency [World Bank, 1992: 40], they were meant to be seen as neither political nor controversial (as was, of course, the intention of the

original structural adjustment programmes).

The central problem remains that of controlling an over-strong state. Indeed, Pierre Landell-Mills argued that 'it is the whole of civil society that needs to be strengthened, if a stable balance between the state and civil society is to be achieved' (quoted in Jeffries [1993: 27]). However, the *Governance and Development* report offered slightly broader solutions to the problem of 'the manner in which power is exercised in the management of a country's economic and social resources for development' [World Bank, 1992: 1]. This new agenda suggested greater concern with improving the state as well as downsizing it. The state was to be watched, and made to watch itself [Williams, 1996: 163]. This was demonstrated in suggestions for new norms of behaviour for civil servants, for example. Although many indigenous institutions in Africa could support development, in many spheres there could be 'little compromise' in the move to Western models of bureaucracy. For example, family loyalties have no place in government [World Bank, 1991: 60].

One important part of the shift brought on by this broader mandate for institutional development was a move towards support for democracy. This was rarely stated explicitly – the World Bank's charter forbids it to interfere in issues of politics. However, the trend is very clear. In 1989, the Bank noted that 'the two countries with the best economic performance in Africa – Botswana and Mauritius – both have effective parliamentary democracies and a vigorous free press' [World Bank, 1989: 61]. The 1991 World Development Report [1991: 133-4] argued that 'suggestive evidence ... links features of democratic systems positively with overall aspects of development and welfare'. Practically, the Bank has expressed a preference for Western political norms as when it asked Kenya and Malawi to adopt reforms directed at seeking a broader political consensus, and when it suspended payments to Benin in 1989 until the government had the consent of its people to continue its reform programme [Lancaster, 1993: 10]. While the example of Uganda suggests that the Executive Directors of the Bank are willing to fund efficient technocrats even if they are not democratic, democracy is now itself seen as one way to install efficient technocrats.

This move towards linking development to decentralisation, accountability, legal reform and direct democracy was taken much further by development agencies which were not tied by a charter banning involvement in politics. The OECD's document on participation and governance clearly supported the expansion of grassroots organisations, decentralisation, democratisation, accounting and civil service reform, and human rights provision [Nunnenkamp, 1995: 9]. On the issue of democracy, the US and UK in particular went beyond the narrow rational choice arguments to argue that it was the only acceptable form of government. In 1994 George Moose, then the highest ranking official for US Africa policy, argued that only democratic

governments were legitimate, reflecting the will of their citizenry, and that 'the yearning for democracy is universal' [Moss, 1995: 192]. Larry Diamond [1995: 6] of the US National Endowment for Democracy argued that the twentieth century has offered important lessons: democracies are more peaceful abroad and less susceptible to violence from within, they do not build weapons of mass destruction to threaten others, they are better to be trusted to fulfil treaty obligations, better trading partners, better homes for investment, better guardians of the environment and better at respecting competition, civil liberties, property rights and the rule of law.

As structural adjustment was given general theoretical backing by Lipton and Krueger, so governance was supported by the New Institutional Economics (NIE) of Douglas North. North's basic thesis is that an efficient economy is one in which the market is able to operate at its optimal rate, based around a system of institutions which allows for very low transactions costs between economic actors. In other words, in order to function effectively, economies require structures such as clear and enforceable property laws which reduce the cost of measuring and protecting the valuable attributes of a good. The New Political Economy is thus over-simple, because 'getting the prices right' is not enough. Only when rights and enforcement systems are in place will competitive conditions result in efficient markets. 'The very notion of "development" needs to be revisited', argued Capitani and North [1994: 13], 'to clarify that development is really economic growth plus "appropriate" institutional change, i.e., change that facilitates further economic growth'. Further, they argue that it is necessary not only to change the formal rules of institutions through bureaucratic reform but the very way that people think. Mental models dictate behaviour; informal norms therefore matter as much as formal rules. For example, in the nineteenth century South American countries with US-style constitutions behaved very differently from the United States [Capitani and North, 1994: 10]. Thus, if reform is to be complete and sustained, whole belief systems need to be altered. It is not enough for citizens to have liberal politics and the free market; the truly institutionally advanced country has citizens who *love* liberal democracies and the free market. As the head of the World Bank's operations in Senegal put it: 'Adjustment is permanent and mentalities must adapt to it' (*Le Soleil*, 22 June 1995).

Economic history has been the history of the development of institutions, argues North. Traditional subsistence economies with limited specialisation and a large level of self-sufficiency did not require more than informal constraints on the abuse of the market; friendship or ostracism were powerful enough to enforce contracts. As the market extended over a wider area in response to specialisation, transaction costs rose as more time had to be spent on measurement and enforcement. The development of a strong service sector, legal constraints, bookkeeping and a whole panoply of legal and administrative

norms became necessary to guide transactions. Historically, the extent to which these structures were set up profoundly affected the development of countries. In England, the Magna Carta showed an early concern with individual and property rights and the Glorious Revolution of 1689 further protected the individual against excessive state abuse of the market. In Spain, an over-extended central bureaucracy stifled growth. England went on to control one-third of the earth's surface whilst the Spanish Empire declined.²

North argues that the examples of Spain and England show that a state's ability to improve its institutions is constricted by history, an idea which he labels path dependency. Sources of institutional change include external price changes and entrepreneurial ideology. This, however, will be dependent on present institutions. Change will be easier if the present institutions are set up to encourage flexibility and provide positive incentives to the creation of many alternative avenues to problem-solving. 'Broadly speaking democratic parties and decentralized market economies with well-specified and enforced property rights are the closest approximation we know to an adaptively efficient institutional framework' [North, 1992: 16]. These three elements (decentralised democracy, defense of property and the market) form an interlocking, mutually supporting web of what might be labelled 'meta-institutions'. Apparently, they differ from North's other institutional structures in that they have no need to adapt themselves because they are universally the most efficient.

It is not easy to construct these meta-institutions, however. North shares with the NPE a scepticism about the abilities of countries to reform themselves – as suggested by path dependency. As with the NPE, this suggests the importance of donor organisations in helping to push reform from the outside. Donors can further the economic development of countries by increasing their role in institutional development.

GOVERNANCE AND UNIVERSAL NORMS

The questions to be asked of NIE are whether liberal meta-institutions are universally applicable, universally desirable, or universally desired? To argue that economic 'fact' makes these institutions value-free is unsustainable. As Mick Moore [1993: 41] notes, the *Governance* study lacks a basis in empirical research, relying instead on 'what they would presumably wish to characterize as "wisdom", "experience" or "common sense", but what is undoubtedly doctrine'.

Theoretically, the underpinnings of liberalism are far from universally accepted truths. The atomistic outlook of much of western liberal thought is fairly unique to the West. Amartya Sen [1991: 13–16] has pointed out that Western concepts of 'freedom' are based on negative rights – what others

cannot do to you – rather than positive rights – not to starve, for instance. Since this construction allows large numbers of people to perish in famines it is at least a questionable ethical base. If liberalism's underpinnings really were universally accepted, it would be incomprehensible why the liberal market economy is so rare. As it happens, the focus on individualism, and thereby on the paramountcy of negative over positive freedom and the idea of minority rights over majority opinion, is adopted by Western cultures almost alone [Huntington, 1996: 33]. Indeed the Cartesian basis of liberal economic thought – that people can be viewed as equal and rational thinkers independent of their social (or, in particular, linguistic) milieu – is relatively new even in much of the West, in that it was formed only after the break between liberalism and nationalism.

The normative nature of liberal values has important consequences for any claim to their universal applicability. For example, the imposition of the West's style of property law is not likely to be universally accepted as a good by poor and rich alike around the world. Indeed, in seventeenth century Britain, the tightening of land laws overturned centuries of customary rights to the benefit of the wealthy, and was deeply resented by the poor [Hill, 1996]. A particular view of the market which places property (as opposed to utility or equity) foremost because such a system is argued to produce economic growth in effect argues that valuing property is best because it produces more property. If equity or utility is seen as the main goal, this property-based system is not of any necessary value, and could be very unpopular.

Western democracy is similarly based on norms rather than absolute truths. The American Declaration of Independence stated that all men are self-evidently created equal, but this has to be viewed as a goal or a desire rather than an empirical fact, especially at the time it was written. Indeed, at the heart of liberalism are a set of ideas about individual rights, equality and government by consent that are *not* self-evident, but historically rare as ideas and even more uncommon in reality [Canovan, 1990: 11]. Again, if the yearnings for democracy were truly universal, it is surprising that democratic systems are so rare. Even in the US, the system is one of 'democracy made safe' [Dunn, 1996: 248], based on the Founding Fathers' deep mistrust of direct popular rule; and the liberal idea as the basis of the state has been frequently attacked, most recently by the Buchanan wing of the Republican Party. The Buchanan example also points up that democracy relies on the idea that you are happy to be governed by the vote of the majority of your countrymen, because you believe in the equality of your countrymen. This suggests that a sense of national community might be vital for creating the social cement from which legitimate government of whatever type can be built [Canovan, 1990: 7].

Empirical evidence for the superiority of Western institutional and cultural structures as engines of growth is fragile. East Asians view their economic

success as being connected with East Asian values, not the adoption of Western values. The NICs were also weak on the specific tenets of governance. In South Korea the government was authoritarian, its processes opaque and corruption was widespread [Lancaster, 1993: 11].

A 1992 survey of values found that countries which had grown fastest during 1965 to 1992 had values with a strong emphasis on state authority over traditional authority. They were not particularly pro-democratic, however. It is true that the richest countries placed greater emphasis on what the study author called 'postmodern values': tolerance, independence and freedom being seen as more important than equality [Inglehart, 1995], but if anything, this might suggest that state power is important for growth while liberal views are its result. There is plenty of evidence that democracy is no indicator of growth rates, but quite a good one of wealth [Przeworski and Limongi, 1993: 55-69].⁴

Practically, there is a great danger that Westerners studying Africa are reading far too much into recent 'democratic transitions'. It would be very surprising if such events represented 'society-wide epiphanies' to modern Western values [Carothers, 1996: 37]. In fact, witchcraft was used to back up despotic regimes in Africa, and is now being used to support democratic regimes [Kohnert, 1996]. Modernisation, as the head of World Bank operations in Senegal pointed out, requires a change in mentalities as much as formal institutions. This is an idea that North mentions – noting that the US-copied constitutions of South America have not created many South American United States. It is an idea he abandons, however, when he talks of adaptively efficient institutional frameworks. It appears in fact that there are clear limits to the 'adaptive efficiency' of democracy and decentralisation.

Trying to jump-start such institutions might, in fact, be an expensive mistake. As North [1990: 89] notes, institutional change is 'overwhelmingly incremental' and the record of aid agencies in speeding up institutional development is by their own admission very weak, while the technical assistance methods which usually support such efforts are discredited [Moore, 1995: 89]. There are high costs to pay in attempting to push formal institutional structures away from a reliance on norms; they are expensive to maintain and difficult and costly to enforce.⁵ Indigenous institutions which allow trust to take the place of legal enforcement are far more efficient than encompassing legal systems [Sen, 1993]. They are at the heart of the success of microcredit institutions such as the Grameen Bank, which rely on groups of borrowers employing social sanctions to encourage member repayment [Greif, 1996]. Cultural values such as ethnic identity can make regionalism and decentralisation an expensive and poorly-operating system. Decentralisation might jeopardise stability because of the huge spillover effects of regional stabilisation programmes. Regional governments would pay the full political costs of a local stabilisation policy while much of the benefit would accrue to

neighbouring regional economies [Prud'homme, 1995]. Decentralised governmental systems are likely to be more inflationary and run larger deficits, then. Indeed, there is empirical evidence to suggest that decentralisation slows growth across the developing world [Davoodi and Zou, 1996]. In systems without a sense of national community, the risk that regional groupings will refuse to act in the national interest is only increased, and so the risk of instability is exacerbated.

Democracy and decentralisation are not worse *per se*. (A brief study of authoritarian regimes in Africa is enough to suggest that they are no better.) In their interaction with informal norms, a *change* to democracy or decentralisation might be harmful, however. Attempts to force democracy on countries which have no history of stable democratic systems is a revolutionary move – and revolutions carry large risks, especially if they are 'premature'. Donors should adapt to norms, not try to create them, especially given that even stable democracies do not seem to enjoy the stated benefits.

What is the alternative to the governance model? It is to look at the roots of legitimacy – the acknowledged right to command⁶ – both of states and of institutions, without the fallacious assumption that certain institutions will always be seen as legitimate. The fundamental arbiter of any institution's power is the strong identification of the people affected by that institution *with* the institution. Without a strong sense of loyalty to the institutional form of leadership from followers, a leader's actions, goals and policies will not be supported unless they directly benefit the follower. The leader is unable to control problems of free-riding or to impose standards of behaviour except through force or the threat of force. Throughout much of Africa, the level of aggregation into groups willing to give some amount of disinterested support to a political institution is far lower than that of the whole state.⁷ The weakness of nationalism or patriotism as compared to the loyalty shown to local political units leaves governments reliant on those local political units if they are to act. In other words, low legitimacy leaves the state incapable of operating independently or effectively, forcing an economically sub-optimal survival strategy based on the patronage of authority figures in society who *are* seen as legitimate. This is not to argue that African leaders have absolutely no 'space' to act according to their opinions on development [Grindle and Thomas, 1991]. However, the space for independent policy initiative is severely restricted by the state's lack of legitimacy. Further, this lack of legitimacy restricts state action whether the state is democratic or authoritarian. As Sandbrook [1996: 4] noted, recent transitions in Africa have only 'propelled weak authoritarian regimes into weak (semi)democratic governments'.

The question of how to achieve state legitimacy is seen as important by Diamond [1995], Cohen [1995] and many of the 'liberal universalists'. However, they assume that democracy and decentralisation are necessary and

sufficient to impart that legitimacy to the state. I would argue that state legitimacy is based on far more fundamental elements than formal institutional structures. It is based on beliefs and customs which are more deeply embedded. In some systems a particular leader can be legitimated by a democratic election, but only if the electoral process itself is seen as legitimate. For that to be true, it is clearly necessary that the state is seen as legitimate, and that is very rare in Africa. Often in the region (though not in Senegal) ethnic structures are seen as more legitimate than the state. In this case, the imposition of democracy often hampers attempts to move legitimacy from the ethnic group to the state by forcing the state to rely upon (and so possibly further legitimate) ethnic elements of 'civil society', elements that need be neither modernising nor democratic in their aims or methods. I will make a similar argument about Senegal based on religious groupings.

The same question of legitimacy is vital to understanding the workings of other institutional structures. If these are not seen as legitimate, they will function at a far lower level of efficiency. To take property rights, in Africa we need to distinguish between the right to ownership and the right to use land [Stein, 1994: 1835]. North is mistaken to argue that property or the democratic state are part of some universally acceptable or universally desirable meta-institutional structure that will, by its very nature, have legitimacy.

THE CASE OF SENEGAL: THE PROGRESS OF POLICY REFORM

In 1979, responding to a collapse in major export prices, a severe drought and the second oil shock, President Abdou Diouf declared a policy of 'moins d'Etat, mieux d'Etat'. Short-term stabilisation proceeded with conservative monetary and fiscal policies, including tax rationalisation and increased interest rate flexibility. Subsidies were cut, there was some decontrol of prices and non-tariff barriers to trade were reduced. Public expenditure fell from 32 per cent to 21 per cent of GDP between 1981 and 1990, and the fiscal deficit halved between 1982 and 1987 [Ka and van de Walle, 1994: 316].

While there were successes, however, there were many more problems. In 1982, Senegal became one of only two countries not to receive the second tranche of a World Bank structural adjustment loan because of non-compliance with conditionality [Mosley, Harrigan and Toye, 1991: 166]. After another period of progress which gave the Bank renewed hope, the end of the 1980s saw Senegal again slipping into non-compliance with SAL conditionalities.

Most importantly, in many critical areas of reform, little or no progress was made between 1980 and 1993. There was no devaluation of the CFA Franc – the French-treasury backed currency of the Franc zone. Tax rates remained unrationalised, subsidies remained high, and state monopolies intact. The number of civil servants increased from 59,300 to 64,000 between 1980 and

1993 [Ka and van de Walle, 1994: 297]. The labour code, which required managers to seek the permission of government officials before sacking an employee, remained untouched on the statute book. Worried by riots in 1989, the government slipped even further behind in its reform programme as it reduced the price of rice, placed a moratorium on producer debt, and handed out free fertilisers and equipment to farmers. The influential study carried out by Elliot Berg in 1990, *Adjustment Postponed: Economic Policy in Senegal in the 1980s*, concluded that:

Most of the hard adjustment decisions that Senegal needs to make were put off in the 1980s ... domestic labor costs should have been directly reduced ... The state sector, moreover, has only begun to disengage and improvements in state enterprise performance are not observable. Agricultural strategy remains problematic ... The major industrial and trade policy reforms of 1986 and 1988 were significantly dismantled in 1989 [Elliot Berg Associates, 1990: iii].

Because of, or perhaps despite, the limited nature of reforms, the economy in Senegal remained stagnant. Investment slumped during the 1980s, and growth remained slow, with GDP per capita rising at well under one per cent over the course of the decade. In the early 1990s, the pace of reform also remained slow.

However, following the January 1994 devaluation of the CFA Franc, reform efforts were rekindled. In 1994, a labour code reform act was finally passed. At the start of 1995, the government moved towards measures to decentralise political power; it agreed to the privatisation of new water supplies in Dakar, to sell off 17 government-owned hotels and to the liberalisation of rice collection and food imports. As the liberalised price of rice hit a new high in spring 1995, the head of the Caisse Péréquation et de Stabilisation des Prix noted that 'it's an adjustment demanded by the necessities of liberalisation' and refused to intervene. Overall, the government has also allowed the post-liberalisation prices of food to rise 40 per cent, while wage inflation was kept to between 5 and 25 per cent. The government has even begun to attack the unassailable, embarking on civil service reform. An audit of the civil service has started to remove dead and fictitious staff from the payroll. For the future, the government has promised an accelerated programme of privatisation for the 60 remaining parapublic enterprises (starting with telecoms and electricity), as part of a 'total economic liberalisation' (Minister of Economics, Finance and Planning, quoted in *Le Soleil*, 18 April 1995).

The change since 1994 is noticeable not only in reforms actually carried out, but in the number of government ministers willing to nail their reformist colours to the mast. Prime Minister Habib Thiam, an old opponent of reform, now argues that it is important to 'consolidate the gains concerning financial

credibility' while President Diouf, in an address to his ministers, argued that:

The monetary realignment and numerous liberalization reforms have created a setting very favorable to the prosperity of enterprises. But this is not enough ... it is your responsibility, in your different departments, to improve at all costs relations with enterprises, to make the administration more credible, closer to the interests of the private sector. It is also important ... that economic operators have confidence in the justice system (*Le Soleil*, 22 March 1995).

In the last three years, then, there has been a dramatic shift in the reform process in Senegal. Policy reforms have been initiated with renewed vigour and new institutional reforms, including decentralisation and privatisation, have been introduced. Further, ministers have begun to speak the language of the NIE – private sector confidence through institutional reform and the private sector as the engine of growth.

DEMOCRACY AND REFORM IN SENEGAL

Obviously, the climate for reformist policies became much more favourable after 1993. The country moved from foot dragging into higher gear. Can this change be associated with the emergence of democratic accountability? Far from it. Senegal has long been more democratic than most of its neighbours and yet reform only seriously began in the 1990s. In the early 1980s, President Diouf adopted further democratic reforms including opening up laws on forming unions. By 1993, the National Democratic Institute had even called Senegal a model of democracy in Africa (*Economist Intelligence Unit Country Report*, Senegal 2nd quarter, 1993). Yet this broad and early commitment to a democratic system did not allow the government to create a strong constituency for reform. The rise of independent unions, fostered by Diouf's democracy reforms, saw a rash of strikes in the late 1980s, and an equal number of government policy reversals.⁸ Although the official trades union organisation, the CNTS, was created to co-opt the labour movement,⁹ it used its influence to block labour reform. As part of the New Industrial Policy, the government tried to pass legislation easing the restrictive labour law. The CNTS was able to stop the reforms in a 1987 Parliamentary vote, with the aid of ten Socialist Party MPs. The government went on to lower food prices and increase wages after threats of a general strike in 1988 and 1990.¹⁰ The unions have remained bitterly opposed to reform in the 1990s. The head of the CNTS, Madia Diop, complained that workers 'are not taken into account. The prices are fixed without our advice ... we oppose these ultra-liberal policies' (*Le Soleil*, 20 April 1995).

While union opposition to reforms may not be surprising, employees have

also complained about the pace and nature of the new economic policies. Berg noted that 'almost for the first time in Senegal, concrete issues of economic policy are now widely discussed ... Employer groups have been politically mobilized [as have] unions'. But both these groups mobilised to *oppose* reform. The chief employers' group, the Conseil National du Patronat, complained that the government had not consulted them over the reforms during the 1980s, and the introduction of import liberalisation without freeing up the labour market put them at an overwhelming disadvantage in the international environment [*Elliot Berg Associates*, 1990: 211–13]. Donald Baron, head of the Syndicat Patronal des Industries du Senegal, noted recently that since devaluation 'we haven't seen investments and many sectors are in recession'. He complained that the liberalisation of the tomato market two years in advance of the European Union's lowering of tomato subsidies left Senegal open to unfair competition. Overall, Baron agreed with 'the World Bank's ideas, but not with their brutal means of application' (*Sud Quotidien*, 21 Dec. 1994).

Overall, attempts at reform have made the government deeply unpopular in the cities throughout the last 15 years. A survey in 1986 found that 65 per cent of people in Dakar thought that the government was unable or unwilling to deal with the economic crisis [*Somerville*, 1991: 170]. The riots which broke out at the end of the 1980s were also the result of growing discontent amongst the urban dispossessed [*Ka and van de Walle*, 1994: 350]. If anything, the pessimism of the 1980s and opposition to reform has deepened in the course of the 1990s. In a rare moment of competent opposition during 1993, Abdulaye Wade, leader of the PDS party, rallied a large portion of the disaffected population around the slogan 'sopi' ('change' in Wolof) – although it is arguable that what most of them had in mind was change to a PDS government, as we shall see [*Kante*, 1994: 102]. The 1993 legislative elections saw turnout slump to 41 per cent, suggesting a lack of faith in the ability of any of Senegal's political parties to cure the ills of Senegal's comatose economy.¹¹ One year later, on 16 February 1994, the streets of Dakar again erupted in rioting which left five policemen dead – a violent protest against declining living standards and rising urban unemployment in the aftermath of austerity measures and devaluation (*Jeune Afrique*, 24 Feb. 1994). Indeed, the rioting and the continuing violence in Casamance between the government and the Casamance Movement of Democratic Forces suggests that at least some in Senegal are not willing to accept a fundamental element of democracy – the legitimacy of the majority vote.¹²

However, throughout this period, Abdou Diouf's Socialist Party has remained in power. Indeed, despite the unpopularity of the government's performance in the cities, in December 1996 the PS won a land-slide victory in the by-elections for municipal, regional and rural government. In large part

this was because there is no effective formal political opposition to the policies of the Socialist Party. Landing Savane, head of the third biggest party in Senegal, has noted that the opposition has offered few real alternatives to the government's programme (*Jeune Afrique Economique*, 3–13 March 1995). Even the LD/MPT, a Marxist party, produces literature claiming 'adjustment is inevitable' and arguing that the civil service should be slashed. 'If the parastatal sector is not efficient, it must be privatized' they proclaim (LD/MPT press release, 13 April 1995). Of course, a party which is headed by the Minister of the Environment could not stray too far from the government line. As the Minister explained, there are those in the LD/MPT

who believe in Marxism, those who don't believe any more and those who never believed. For us, this isn't a problem. The important thing is to reach a consensus after discussion ... the obstacles [in the path of] political consensus were overcome and today we talk about economic recovery (*Le Soleil*, 15 June 1995).

This raises the question of whether a meaningful democratic opposition in Senegal is possible when opposition parties have no serious alternative policies to offer. Opposition promises at the last presidential election included Wade's suggestion of a pan-African railway from Senegal to Mombasa entirely built from Senegalese steel and Iba Der Thiam's promise of a bedside table, a foam mat and a wardrobe for each small farmer. Instead, like the Minister of the Environment, opposition figures clamoured to join the Socialist government. Abdoulaye Wade, leader of the second largest Senegalese political party, the PDS, was a member of the government in the early 1990s (April 1991 to October 1992), left to fight the 1993 election (where he won 32 per cent of the vote), spent almost a year in prison on trumped up charges and then re-joined the government in 1995, losing all credibility in the process (*Economist Intelligence Unit Country Report*, Senegal 2nd quarter, 1993). Perhaps the laughable state of the official opposition explains why the disenfranchised urban citizenry turned first to union opposition in the early 1990s and then, as the unions were circumvented, to rioting and crime (*Le Soleil*, 14 March 1995).¹³

Given that the government is far from admired, why has there been no serious attempt to form an effective opposition? Perhaps it is because the government is at the apex of a patronage network which decides the votes of a large proportion of Senegal's citizenry, even if it does not buy their love. This patronage network is accepted by all parties as the only way that the state borrows legitimacy, and it is still controlled by the Socialist Party. At the heart of this patronage network are the Marabouts. Marabouts, the leaders of Senegal's Islamic brotherhoods, are blamed or praised for much of Senegal's post-independence history.¹⁴ Cruise O'Brien's [1971] major study on

Brotherhoods, based on data from the 1950s estimated that, even in cities, over 90 per cent of the population belonged to a brotherhood under the leadership of a Marabout. Maraboutic power is blamed for bringing down Mamadou Dia's government in 1962, and the respect with which politicians treat Marabouts is shown in the way that Touba, the religious capital of Senegal, is showered with development projects. As Cruise O'Brien [1971: 241–3] notes, 'Touba looks on a road map as if it might be the nation's capital'. Marabouts are regular recipients of bribes, government favours and visits from senior officials paying homage.

As President Abdou Diouf himself complained in a paper he wrote when a student in Paris, much of the Marabouts' power rests on their charlatanism and the saint worship of their followers, who will not plant crops without the Maraboutic blessing. They are feudal lords 'ignorant of the notion of the public good' [Villalon, 1995: 201]. However, just as there is a 'social contract' between the president and the leaders of brotherhoods which offers the president borrowed legitimacy in return for favours, so there is a contract between the brotherhoods and their members. Members use Marabouts in the defense of their material interests, in return for their support [*Cruise O'Brien*, 1971]. Indeed, there is evidence that social groups (including ethnic groupings) under pressure find the Maraboutic model the simplest way to protect themselves from or arouse the interest of the state. The model thus has gained legitimacy greater than that brought by the charisma of individual Marabouts. Marabout and member form a parochial alliance limiting the state's sphere of action while Marabout and state ally to give the state some indirect control of citizenry in return for patronage favours. Officials regard the Marabouts as a necessary but sub-optimal way to keep some control over the mass of Senegalese people. All political leaders are careful not to question the role of the Marabouts in society. Abdoulaye Bathily of the Marxist LD/MPT party described Marabouts as 'the responsible representatives of currents of opinion' [Villalon, 1995: 201].

In the 1980s, Maraboutic power strengthened. As President Diouf tried to remove old Socialist Party barons from influence through a process of democratisation, he came to rely more on the Marabouts for votes and control. Diouf closely allied himself with the three major brotherhoods and strengthened the ties of patronage between them. Marabouts continued to get jobs for their followers in the civil service and development projects for their areas and they also received increasing amounts of capital, which was usually written off.¹⁵ Tentative government moves to increase tariffs in 1989 in response to the failure of the New Industrial Policy were scrapped because of strong Maraboutic interests in trade (both legal and illegal) [Ka and van de Walle, 1994: 303].

Despite having delayed attempts to control smuggling, the government

(partially at the insistence of local industry) introduced a limited crackdown during the 1990s.¹⁶ On the other hand, Marabouts' groundnut empires have probably benefited from the 1993 devaluation, as export prices increased¹⁷ and they have remained largely above the law (*Sud Quotidien*, 29 June 1995). The Marabouts' ambivalent position on reforms might help to explain the low rural turnout in the 1993 elections, as Marabouts voiced their support of the PS in whispers rather than shouts.¹⁸ They remain vital to the State, however, and Diouf has been very cautious about crossing them.

A document produced by USAID in 1990 complained about the effect of the patronage system on the institutional structure of labour relations in Senegal. Unions were set up to deal with the government and employers seemed reluctant to intervene in the bargaining process, making wages 'de-linked' from reality. In the countryside, 'the most important institutional factor ... has been the rise of the Mouride Brotherhood as an organizing force of peasants mitigating the power of the state' [Renison, 1990]. Without a change in the relative power of the unions and the Marabouts *vis a vis* the state, Senegal would remain burdened with a costly and inflexible labour force, concluded the report. Diouf's introduction of democratic reforms over the course of the 1980s did not alleviate the problem of the state's reliance on patronage to borrow legitimacy. If it played a role in his early attempt to break away from the influence of the PS party barons, it was an attempt that was ultimately unsuccessful. It certainly did not lead to a breakaway from patronage politics. Indeed the increased importance of the Marabouts as a source of votes probably strengthened the network.¹⁹

Democracy, then, did not provide a power base to back reforms. It neither created an opposition committed to ensuring accountability, nor increased legitimacy. Opposition parties all accept that the Marabouts are a vital element in legitimating the state. They have no alternative policies to offer because they recognise that the weak state has few policy options and they are mainly involved in trying to find a place in the patronage network. Democracy merely increased the price that the government had to pay to ensure the patronage network continued. A weak state was made weaker in Senegal to the benefit of unions and Marabouts. If the 1990s saw some reversal in the influence of the government's patronage partners, this was not due to the increasing legitimacy of the state or to state strength, but to the increasing influence of external actors as will be seen.

SURVIVAL

What explains the conversion to a rapid reform process? I will argue that it was a change in the relations with external actors who provide a major source of income for paying off the patronage network. Indeed, if political liberalisation

did not aid the reform process and the patronage network opposed many elements of reform, it is surprising that the donor community with its immense financial leverage was unable to push through more reforms in the 1980s. After all, donor action on debt lowered the service ratio from a potential 37 per cent to 23 per cent by the end of 1987, through the relief of \$650 million. In the same year, Senegal received \$642 million in aid, at a time when total government revenue came to just \$750 million. None the less, donors felt that they had failed to alter fundamentally Senegal's economic structure.

Donors were largely responsible for what reforms did occur. In a recent study of the relationship between programme outcome and 'ownership' of reforms, Senegal's first three structural adjustment credits were measured as low or very low ownership with a satisfactory outcome, that is, the World Bank foisted reforms on an unwilling government.²⁰ Although it is somewhat odd that the Operations Evaluation Department of the Bank classed Senegal's first SAL as a success when the second tranche was never released, it does at least suggest the power behind the reform process.

The power to push reforms was dissipated by disagreements between donors and a lack of enforcement of conditionalities, however. As Elliot Berg [1990: iii] argued, rather than inducing reform, aid had the effect of supporting the status quo. Certainly the most important reform, not only for Senegal but for the entire CFA region, was devaluation – a reform bitterly opposed by France in the 1980s. French fears for the strength of the CFA franc also moved it to oppose reductions in aid as a reaction to Senegalese non-compliance.²¹ Even when there was greater donor unity behind reform, however, countries were reluctant to cut funding. Aid remained 'sticky' throughout the course of the 1980s and French transfers were even contrapuntal to those of other donors, damping variance.

Under such circumstances, it is not surprising that the government of Senegal (GOS) ducked difficult reforms. The conclusion of the USAID-sponsored study of its programme lending was that:

The program has been successful in bringing about policy reforms in areas where the political consequences for the GOS were considered tolerable ... The program has not been successful in bringing about reforms where the GOS felt that its strategic interests were threatened or where it was not convinced that the alternatives to the existing system would provide it with predictable benefits [TVT Associates, 1989: 39].

The government undoubtedly viewed the reform process as a survival technique. Without donor transfers, the government could not pay civil servants nor provide patronage. Without backsliding on reforms, it would risk losing those patronage powers anyway. The government did only that which was necessary in order to preserve the status quo – what might be termed a

Burkean reaction. This reaction was not that of a tyrannical rent-seeking mob of politicians, but simply politicians trying to survive in office.

What changed the speed and nature of the reform process was the increasingly hard-line attitude taken by the World Bank, followed by other donors. Seeing that change was only likely to come about through external pressure, and largely ignoring the talk of increased ownership that others in the Bank were pushing, the Dakar office preconditioned new money on specific reforms.²² World Bank loans to Senegal nose-dived from \$129.6 million in the 1987-88 fiscal year to \$40 million in the 1992-93 fiscal year. No new Bank projects were announced in the second half of 1993. Fear of government bankruptcy without external finance, at a time when salaries comprised 56 per cent of the government budget, must be seen as the primary factor that pushed Diouf back towards reform. When, in mid-1993, the government realised that it was going to be impossible to pay civil servants by the end of the year, it turned to the international financial institutions. They demanded a package of emergency reforms including salary cuts of 15 per cent and payments of debt arrears; demands which were immediately met in return for cash (*Economist Intelligence Unit Country Report*, Senegal, 4th quarter, 1993, p.13).

The financial and monetary crisis continued, however, while other elements of the external environment were turning increasingly hostile. In 1993, capital flight from the West African Franc zone added up to 38 per cent of the CFAs in circulation, while a new French government turned hostile to supporting the CFA Franc at its overvalued level [Niessen, 1995]. In August 1993, the CFA was withdrawn from external convertibility, while the IMF and the World Bank would provide no money until there was a devaluation. Devaluation was finally forced upon the CFA zone by France in February 1994.

After devaluation, the World Bank rushed back in to the country, lending \$219 million in 1994 alone. But at a time when the government budget was so reliant on donor support, Senegal remained at the mercy of donors if they chose to tighten their conditionality. The PDS-owned *Sud Quotidien* (22 Dec. 1994) put this in more graphic terms: 'The World Bank, holding the government by the throat, dictates its conditions. And the government has no other choice but to exercise them, to avoid asphyxiation'.²³ This new harshness in conditionality was followed by other donors and the Paris club, and overall, the pace of reform has been set by donor threats about future budgetary support. For example, in order to ensure continuing flows of donor aid, Diouf has had to crack down on the unions and introduce labour reform with little serious opposition.²⁴ Even the powerful civil servants' union had to accept a 1994 pay deal well below their original demands. As the Parti-Socialiste-owned *Le Soleil* put it: 'union members, like employers, understand the necessity of a frank partnership to limit the effects of the crisis'. More baldly,

Iba Ndiaye Diadji, the head of an independent union, commented that 'the unions have run aground ... traumatized' by the recent devaluation (*Le Soleil*, 1 Feb. 1995). Diouf summed up the aid conditionality issue as he railed against tax evaders, arguing that 'paying taxes was necessary if the country was to achieve more financial autonomy in the face of restrictive tendencies in international aid' (*Le Soleil*, 1 March 1995).

Overall, then, the reversal of the weak conditionality of the 1980s and the subsequent fall in donor support combined with a growing crisis of the CFA franc forced devaluation and reform. The government, while still holding to 'Burkean principles' by reforming as little as possible to maintain the status quo,²⁵ was forced to change far more than in the 1980s in order to secure the necessary funding and avoid even more serious change, such as a steep cut in the number of civil servants. In the devaluation, the government presented its patronage network with a *fait accompli*, which was accepted with little opposition because 'when the wine is already poured, it must be drunk' (*Le Soleil*, 15 March 1995). The co-optation of opposition was so easy for Diouf because, once the step of devaluation had been taken, opponents saw little alternative to the reforms that the government proposed. Beyond the policy-making elite, reactions varied from limited disenchantment (amongst many Marabouts) to rioting in Dakar. However, without leadership, popular opposition was reasonably simple to contain. The World Bank in Dakar made this reform choice easier by holding back on demands for cuts in the civil service or serious reductions in corruption levels [*Louis Berger International*, 1994: 35].²⁶

DECENTRALISATION, LIBERALISATION AND BANKING REFORM

Thus the formal institution of democracy has not worked as the governance model would predict because of an underlying structure of values and institutions. The same is true of other formal institutional reforms which might work in a broadly modern liberal value structure, but have failed in the very different milieu of Senegal.

Diouf's recent introduction of decentralisation is an example of this phenomenon. The increase in importance of local office has increased interest in and competition for local posts. This in turn has sparked violence and corruption within regional organisations of the Parti Socialiste as factions rush to fill patronage positions (*Sud Quotidien*, 19 and 22 May 1995). The Leader of the 'C' tendance in Rufisque, quitting the Parti Socialiste (PS) because he felt that the patronage network had failed him, summed up what decentralisation was seen to be about at the local level. 'Absolutely nothing was done for my supporters, no job, no land, no scholarships. It was the poorest tendance in Rufisque. I saw that the PS was being badly run. The

mayor could do what he wanted ... I was secretary general and I didn't have anything' (*Sud Quotidien*, 23 Jan. 1995).

However, the harmony at the 1996 PS party conference suggests that the splits in the party were over patronage and influence within the party as currently organised, not an attempt to create a new opposition. Just as figures outside the government, including Abdulaye Wade, are keen to gain patronage powers by joining the government, those already in the PS have no intention of leaving and abandoning their chance of patronage power. Decentralisation, then, has also weakened the central state to the benefit of patronage networks at the local level. It has *not* created a Weberian structure of local government, but local models of the national patronage network.

Privatisation was condemned by Elliot Berg's report [1990: 107] as being inappropriate to the environment in Senegal,²⁷ and there remain problems with the privatisation programme. Recent attempts to privatise the state-owned groundnut processing enterprise, SONACOS, were unsuccessful because the prices offered by investors were insultingly low. Ironically, this was probably because investors assumed that the World Bank would press for privatisation at any price, further suggesting the unintended outcomes of donor-led institutional reform efforts (*Economist Intelligence Unit Country Report*, Senegal, 3rd quarter, 1996).

Another instance of unintended consequences from inappropriate institutional reform occurred in the banking sector. During the early 1990s, a programme of banking reforms backed by USAID, the French government and the World Bank closed, restructured or merged nine out of fifteen of Senegal's banks, ending a credit crisis which had threatened to undermine the whole banking sector.²⁸ The result, however, was a minor crisis of *excess* liquidity, as the reforms closed down nearly every rural bank branch, and the spread between lending and borrowing rates reached ten points. Private sector credit was not mobilised in an environment of continued capital flight, and the problem of bad debts which had caused the liquidity crisis in the first place was not resolved but merely transferred to the public sector. The USAID final evaluation on the project noted that 'banking reform itself can not effectively change the structure of the economy' [*Louis Berger International*, 1994: 48]. In other words, institutional reform of banks makes little difference to a country if the 'banking habit' is not present amongst citizens with spare capital and if the economy remains so weak that there is little incentive for the banks to lend.

What liberalisation the government carried out in the 1980s was largely a recognition that it was being ignored anyway. The liberalisation of the millet and maize marketing system in 1985-86 removed restrictions which had been widely flouted [*Elliot Berg Associates*, 1990: 44]. Although considered important by unionised labour and large industry, the majority of workers were not protected by unenforced labour laws. Rouis [1994: 343] noted that only ten

per cent of employers in Senegal thought that wages were too high or that labour force constraints affected their operations. These were probably the ten per cent who actually complied with the regulations. Suggesting that the market is constrained by an over-reaching government assumes that the government has the power to over-reach. This is clearly not the case in Senegal.

The reform process in the 1990s has done little to increase the influence of the state in society. The government has been unable to collect four billion CFA in bad debt from 25 consultants, nor 1.6 billion owed to three major insurance companies (*Sud Quotidien*, 2 Sept. 1994). Fraud in customs remains widespread. Coulon and Cruise O'Brien [1989: 155] argued that 'the peasant has learned to do without the state' in Senegal, smuggling its traded output. Many non-agricultural goods were smuggled too, often by brotherhoods. Indeed, the government in Senegal was not the almighty (outdated) predator, the tyrannosaurus state, of the NPE's nightmares. It was reliant on its patronage system for what power it held over the people of Senegal, and this power was often not enough to enforce the most basic laws.

In sum, institutional reform efforts in Senegal have had limited effect and many results were unintended. As with the democratic system, the different milieu of Senegal has led to a very different interaction between formal institutions and the rest of the socio-economic structure than might have been expected from a model based on western views of the western experience.

CONCLUSION: NORTH, GOVERNANCE AND SENEGAL

In the 1990s the World Bank proved that, in coordination with other donors and in a country as reliant on aid as Senegal, it can impose at least temporary and halting change.²⁹ While the government of Senegal continued to see SAPs as a last attempt to shore up the *status quo*, they were forced to change to remain the same. Unions were forced to accept a reduced role in policy formation. Thus North is right to see external influence as an important factor in change, although the history of reform in the 1980s shows how complex it can be to exert that influence, and the continuing strength of the Marabout patronage network suggests how limited the effect of these reforms has been on the underlying power structure. In terms of Burke's philosophy, donors *can* play revolutionary France to some extent, and export change.

However, the experience of Senegal shows much of the governance agenda to be oversimplified. Donors are imposing a revolutionary ideology on countries by arguing for governance reforms. Again in Burke's terminology, North accepts that the state has been made to fit the people rather than the people conforming to the state. But this suggests the difficulty of change. Institutional structures in North's ideology are all part of an interconnected

structure, changing one requires modifying all the others. As with the New Political Economy and urban bias, North's ideas that change must come from sources external to the system, by way of discovery or foreign intervention are very depressing. To ensure change is lasting, the entire web of institutions must be altered. In Burke's words, this is a 'most desperate gamble'. The liberal doctrine is to be used as a teleological justification for this revolution. The European continent could not develop until after the Reformation; an honest version of this ideology would argue that neither can Senegal without lining the Marabouts up against a wall. This 'great leap forward' will never be taken, nor would it be sanctioned by donors. It is, however, the logical conclusion of North's theory.³⁰

When North comes to make practical recommendations, he pulls back from the abyss. Instead of a call to arms, we are given a neat little list of institutional reforms which will aid economic growth by increasing transactions efficiency. How these reforms would survive in an alien institutional environment is glossed over. Perhaps these reforms can be guides to a new path on which to be dependent. But such institutional reforms as privatisation, decentralisation and civil service reforms, have a bad record across the African continent.

Senegal shows clearly that democracy also suffers from a phenomenon which North remarks upon: the same formal institutions can produce very different results in different cultural milieux. Given that North had noted this phenomenon, it is a shame that he went on to make concrete and universal recommendations as to the most efficient institutional and meta-institutional structures.³¹ Indeed, because of varied interactions between formal institutional rules and local cultural norms, reforms can have many completely unintended consequences. A recent study of the costs of corruption noted that splitting up an organised, disciplined system of bribery to replace it with one in which economic actors have to bribe many different groups greatly raises the economic price of a corrupt system. Thus the collapse of the Soviet Union has had the knock-on effect of increasing transactions costs as uncontrolled corrupt officials each try to maximise their take [*Shleifer and Vishny, 1993*]. The same argument can be applied to decentralisation in Senegal. As warned by the *Sub-Saharan Africa: From Crisis to Sustainable Growth* report, speaking about import substitution industrialisation, decentralisation and democracy are likely to fail because they are based on 'the transfer of Northern values, institutions and technology' [*World Bank, 1989: 37*].³²

Under varying circumstances, different institutions operate more efficiently to promote wider causes than mere economic growth. In Senegal, for instance, the patronage network has an important role to play in preserving the very existence of the state as an administrative organ. Any attempt to break out of this network to create a 'modern nation state' will almost certainly mean increased centralisation, as the state gains power from local barons.

This is not to say that formal institutional structures are irrelevant. While banking reform has failed in the short term, it might be vital to growth in the long term. However, the banking example demonstrates that institutional reforms can have surprising and unintended consequences. 'Informal institutions' are powerful determinants of both the form and effectiveness of formal structures. In such circumstances, simplistic institutional models based on a universalist liberal ideology are likely to run amok. Fundamentally, formal institutional reform is likely to have unintended consequences in Africa because legitimacy resides not with the state but with informal institutions at the local level. Governance is based on a misunderstanding of the African state; that it can gain legitimacy by reforming itself. Without pre-existing legitimacy, these reforms do not work as intended, as we have seen.

East Asia took off (as did the West) because a combination of beliefs, formal and informal institutions, technology and structural factors came together in one place. Those beliefs, institutions, technologies and structures were different in East Asia than in the West and are different again in Africa. Generals are often accused of preparing to fight the next battle as if it would be exactly like the one they fought last. By concentrating on the Western experience, NIE economists are preparing to fight the battle before that. It is sensible, then, that donors should work within existing institutional structures, taking an evolutionary rather than a revolutionary approach. There is a clash between the ideas of 'participatory' development and 'ownership' which favour adapting projects to norms and the ideas of 'governance' and 'rule of law' which favour adapting the norms themselves. In this clash, donors should err towards adapting to norms. This is because donors are not accountable to the governed and to advocate accountability reforms from the outside is somewhat hypocritical. With African management structures, as Leonard notes, 'There are times ... when it would be beneficial to swim with the current of indigenous morality. For example, a geographically-focused project is likely to get far better leadership from an official who is from the region than from an "objective" outsider' [*Leonard, 1987: 904*].³³

This is not to abandon Africa to low-growth development. Less developed states, as North notes, have different institutional structures. This might be because they are more efficient for that stage of development.³⁴ North ignores the fact that the US railway network was built by loans that were never repaid, that Japan has a system where a traditional religious network is still very closely tied to the political system, despite the best efforts of an earlier generation of US institutional reformers (such as McArthur), and that the United Kingdom still has an established church. Indeed, North's whole theory of path dependency is a strange throwback to Whig history in a revisionist age.³⁵ 'Home grown' formal institutional change in the direction of those broad norms associated with the economically advanced countries is more likely to

follow than lead reforms (and Peel [1976] has noted that institutional change in *response* to economic change can happen very rapidly). By putting the institutional cart before the growth horse, donors are making forward movement even more difficult.

Donors have missed a much more fundamental feature that does appear to unite faster-growing countries, a feature which is likely to remain important in the future. Economically successful countries have not all been democracies. Nor have they all been accountable, decentralised, or characterised by individualistic, negative-rights based cultures. However, they have all been controlled by strong, legitimate states. As Moore [1995: 65] notes, the liberal-pluralist paradigm provides little guidance about how to construct and maintain such a political order. Before there can be 'correct' institutions, before there can be economic growth, the state in Senegal must be greatly strengthened. The government will not be strengthened through a liberal-pluralist revolution, nor by privatisation or decentralisation, and without a strong government, these liberal-pluralist reforms will fail. Donors have discovered how to enforce their will on the country, through donor co-operation and strict conditionality, but they must be careful how they use this power. We do not yet know how to speed states towards liberal entropy, but we do know that one important element of the process towards wealth is the strong state. In spending millions of dollars on reinventing government in Senegal by forcing Diouf to sign the death warrant on central power, donors are more than wasting funds, they are doing irreparable harm. Pushing the entropy theory of development in Senegal produced no growth or universal harmony – just plentiful heat and light.

NOTES

1. In this study I have limited the use of the term 'the World Bank', without further definition, to cases where the Executive Directors have approved the output in question (usually loans and 'official' publications).
2. It should be noted that many people in regions conquered by the British Empire might not accept that the English had a strong sense of property rights.
3. This, of course, depends on one's definition of 'liberal meta-institutions' and Western values. Certainly, I am willing to be relativist about North's list of meta-institutions. However, if being against genocide or female genital mutilation are exclusively liberal values, I am a liberal universalist in these cases at least.
4. Although there are obvious problems with gleaning this much from such scant evidence. The US was at least *declaring* all men to be equal when GDP per capita was probably little above \$1,000, suggesting that fairly poor countries can sustain democratic systems of a sort [Maddison, 1995: 197]. Further, state power might be seen as important in the NICs *because* of growth between 1965 and 1990. What is perhaps safer to say is that there is little correlation between 'postmodern'/liberal views and short-term growth.
5. See Cooter [1996] on legal systems.
6. This definition of legitimacy is taken from Alagappa [1995: 1].
7. See Goran Hyden [1983] for a similar argument couched in Marxist terms. He argues that a

unique peasant mode of production in Africa, based on poor soil and rain-fed agriculture, has led to an 'economy of affection' of micro-economic rather than macro-economic networks that has penetrated and weakened central government.

8. A students' strike saw an increase in the number of classrooms, scholarships and transport subsidies, a teachers' strike pushed Diouf to increase salaries by 40 per cent and double housing grants, and a health workers' strike led to improved funding and conditions [Ka and van de Walle, 1994: 334–6].
9. The CNTS was created in 1968 after a national strike as part of a deal by which unions would guarantee social peace in return for ten deputies in the National Assembly, the Vice Presidency and subsidies on basic consumer goods [Ka and van de Walle, 1994: 301].
10. It should be noted that workers still lost 40 per cent of their purchasing power during the 1980s [Ka and van de Walle, 1994: 339]. Being part of a patronage network was only some defence against a collapsing economy.
11. The ruling Parti Socialiste won only 57 per cent of the votes cast, compared with 70 per cent in 1988, suggesting that only a little over 20 per cent of the country had any great faith in its ability to help them (*Economist Intelligence Unit Country Report*, Senegal, 3rd quarter, 1993).
12. In an attack at the end of 1995, 51 rebels and six soldiers were killed when the Senegalese army raided a rebel base near the border with Guinea-Bissau (*Foreign Broadcast Information Service*, West Africa report, 23 Nov. 1995).
13. *Sud Quotidien* (15 May 1995) reports that the crime rate in Dakar is sky-rocketing.
14. Like the CIA, the Masons or Rhodes Scholars, Marabouts are a shadowy group whom conspiracy theorists can blame for almost anything. See, for instance, Magassouba [1985].
15. In 1981/2 CFAF 30 billion of farmer debt was written off. Ka and van de Walle [1994: 303] argue, however, that the Marabouts were weakened by the New Agricultural Policy, which reduced fertiliser subsidies and other sources of patronage. While this is true, they would have benefited from higher groundnut prices and their non-agricultural income, primarily from smuggling, probably increased.
16. In February 1992, customs agents were prohibited from using metal roadblocks or shooting suspected smugglers. Then in May, the government ordered more border checks and import inspections.
17. A pre-devaluation forecast predicted that the average income of a farmer in the south of Senegal (the main peanut-producing region) might increase by 18 per cent in response to a 50 per cent devaluation, as compared to a decrease of 17 per cent in the incomes in the northern region where food crops predominate [Reardon, Kelley, Diagana and Fall, 1992].
18. See *Economist Intelligence Unit Country Report*, Senegal, 2nd quarter, 1993, p.12. Cruise O'Brien [1991] argues that the overall election results might also be a sign of decreasing Maraboutic influence as urbanisation and literacy reduce loyalty to the brotherhood network. Certainly, Dakar and Thies both saw a majority of voters choosing Wade over Diouf in the last presidential elections. However, the cities have always been the centre of opposition to Diouf so it is hard to tell the extent to which this is a growing phenomenon.
19. The 1988 elections were won by the PS largely because of Marabout support [Coulon and Cruise O'Brien, 1989].
20. Ownership was measured in terms of initiative, intellectual conviction, expression of political will and efforts towards consensus building in the reform process [Johnson and Wasty, 1993].
21. USAID notes that at the 1992 Special Program for Africa donors meeting France opposed withholding tranche releases to CFA countries on the grounds of noncompliance because 'France feared it would give an opportunity to attack the CFA zone' [Sisson, 1992].
22. This policy recommendation was also made by the Berg report on Senegal. Berg argued that the two years spent on trying to get a 'government owned' agreement on an agricultural SECAL were probably wasted: 'the Bank won't or shouldn't endorse it if the purpose of the exercise is to have an adjustment program worthy of the name' [Elliot Berg Associates, 1990: 269].
23. For example, the bill to privatise new water supplies in Dakar was forced on the government by the World Bank in return for the funds required to make up the 100,000 cubic meters per day deficiency in the capital's water supplies (*Le Soleil*, 23 March 1995).
24. Article 47 of the new labour law was opposed only by the CNTS delegates, the PIT and the Jappo party.

25. For instance, the widely heralded labour reforms involved changing only a few lines of text.
26. This is one indication that development practitioners are perfectly aware that theoretical development models are too simple to provide universal rules, and they should be used only as a guideline. Practitioners recognise the socio-cultural barriers to liberal policies and institutions very clearly. However, as a rule this does not appear to deter them from believing that these institutions and policies are right [Cohen, 1995].
27. Privatisation has also failed elsewhere in Africa. In Zambia, privatisation of the maize marketing parastatal in the east of the country saw prices halved as barons set up their own monopolies (*The Economist*, 5 May 1994).
28. Also, incidentally, greatly increasing the market share of French-owned banks.
29. Although Mosley, Harrigan and Toye [1991] have shown that the World Bank largely failed to buy leverage with structural adjustment loans in the 1980s (as it did in Senegal), the Bank might be getting somewhat better at enforcing policy conditionality. Other commentators suggest that this could be a temporary phenomenon, however, and Senegal's reform programme is far from being safely completed (author's discussion with Nic van de Walle).
30. And, perhaps, it can work. Putterman [1995] argues that Tanzania's villagisation programme changed indigenous attitudes to health services and education. Most Tanzanians would rather stay in their new villages than return to the outlying hamlets from which they were forcibly evicted because they value these village-based services. It is questionable whether donors would want to associate themselves with a new Ujamaa, however.
31. Although, when North notes the growth of British democracy as an element in its path-dependent rise, British democracy functioned in a similarly corrupt fashion as Senegalese democracy – not least, it was full of rotten boroughs.
32. It is strange that development theoreticians continually invent models which, attempt to answer the economic problems of all developing countries in one go. Perhaps enlightenment ideas about universal norms of human behaviour lie at the heart of the broad liberal project. Less esoterically, it might be a humanitarian and political response to crisis. The humanitarian response to malnourishment and unnecessary suffering, along with evidence that some countries can overcome these problems within a generation, encourage the search for a universal panacea. On the political side, the failure of successive development models and the aid programmes which they have justified, lead to disenchantment in donor countries and thereby to a funding crisis. The only way that donor agencies and the NGO-think tank complex can ensure continued funding is to come up with a new development model which, this time, really does have the answer.
33. See also Klitgaard [1995].
34. See Stiglitz [1982] for a discussion of how imperfect information can lead to different institutional structures being 'efficient'.
35. 'Whig History' is a term invented by the British historian Herbert Butterfield [1985], who railed against an interpretation of English history which divided historical figures into Good People (who backed the changes in legal structures which created the modern British Empire) and Bad People, who opposed the inevitable rise of England to greatness.

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